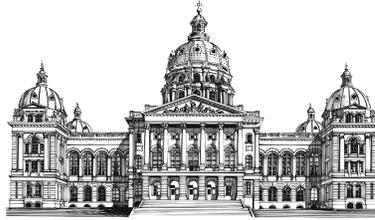

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State Capitol
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Board of Educational Examiners Fee Increase

ISSUE

This **Issue Review** provides information regarding new fees and revenue projections for the Board of Educational Examiners and provides comparisons to previous years. In HF 816 (FY 2006 Education Appropriations Act), the Board of Educational Examiners was authorized to retain 73.0% of all fee revenue in FY 2006, which was projected to generate a 51.1% increase in retained revenue compared to FY 2005. In July, the Board of Educational Examiners increased most teacher and administrator licensure fees, stating that the current fees did not sufficiently support the operation of the Board.

AFFECTED AGENCIES

Board of Educational Examiners

CODE AUTHORITY

Chapter 272, Code of Iowa
282 Iowa Administrative Code, Chapters 17, 19-22

BACKGROUND

Section 272.10, Code of Iowa, permits the Board of Educational Examiners to establish fees sufficient to finance operations. In previous years, the General Assembly notwithstanding the statute and permitted the Board to retain a specified portion of fee revenue in addition to a General Fund appropriation. For example, in FY 2004, the Board was permitted to retain 85.0% of revenue from any fee *increases* established after July 1, 1997, and received a General Fund appropriation of \$41,000. The remaining fee revenue was deposited into the General Fund.

In FY 2005, the Board received no General Fund appropriation and was permitted to retain 85.0% of revenue from any fee *increases* established after July 1, 1997, but before June 30, 2003, and 70.0% of revenue from any fee *increases* established after July 1, 2003. The Board's projections at the time indicated this would be sufficient to support operations.

During the 2005 Legislative Session, the new Executive Director of the Board approached the Education Appropriations Subcommittee with projections of a deficit in FY 2005, resulting from lower than expected licensure revenue. It was projected that the deficit would continue to grow in subsequent years without a change in the Board's funding. As a result, HF 816 permitted the Board to retain 73.0% of *total* fee revenue in FY 2006 and limited the amount the Board can carry forward to FY 2007 to 10.0% of total fee revenue. The Board received no General Fund appropriation for FY 2006.

The Board's projections at the time indicated this would result in an increase of \$348,000 (51.1%) in retained fee revenue compared to FY 2005. This addressed the projected deficit in FY 2006 and provided an additional \$280,000 to transfer 5.0 FTE positions from the Department of Education budget. It was projected, however, that without further changes in funding, the Board would be in a deficit position in FY 2007 and subsequent years. **Attachment A** illustrates the effect of HF 816 on fee retention, using the standard license fee as an example.

On July 29, 2005, the Board increased most licensure fees, effective immediately. The fees are established in administrative rules, which the Board amended under emergency provisions. At the September meeting, the Administrative Rules Review Committee questioned the need to adopt the fee increase under the emergency provisions but took no further action. The schedule of fees prior to and following the FY 2006 increase is included in **Attachment B**.

CURRENT SITUATION

Attachment C illustrates the Board's projected revenues and expenditures before and after the fee increase for FY 2006-2010, based on the Board's projections of the number of licenses that will be issued.

Revenue

The fee increase is projected to generate an additional \$550,000 in total fee revenue in FY 2006 (Column 7 minus Column 2). This would result in an increase of \$575,000 (44.9%) compared to FY 2005 (Column 7 minus Column 1). These figures do not include background check fees, which are passed through to the Division of Criminal Investigation (DCI) and the Federal Bureau of Investigation (FBI).

Expenditures

The columns labeled "Before the Fee Increase" (Columns 2-6) assume 3.0% annual increases in general office expenditures, as well as an increase of \$280,000 in FY 2006 only for the transfer of 5.0 FTE positions from the Department of Education. These assumptions were used by the LSA in the development of HF 816 during the 2005 Legislative Session.

The columns labeled "After the Fee Increase" (Columns 7-11) are based on projections provided by the Board of Educational Examiners. These projections assume a 42.2% increase in general office expenditures in FY 2006 compared to FY 2005, in addition to the \$280,000 for the FTE positions, with 3.0% annual increases in FY 2007-2010.

The Board anticipates FY 2006 general office expenditures totaling \$1.2 million, an increase of \$540,000 (87.7%) compared to FY 2005. In addition to \$280,000 for the transfer of the 5.0 FTE positions, the increase includes software upgrades, hardware maintenance and replacement, printing and binding fees related to court proceedings, and annual salary increases. The Board does not receive salary adjustment funding from the General Fund.

Ending Balance

As a result of the fee increase, the Board is projecting a FY 2006 ending balance of \$199,000 or 10.7% of total revenue. Because of the 10.0% carry-forward cap, the Board will carry forward \$186,000 into FY 2007 and revert an additional \$13,000 to the General Fund.

BUDGET IMPACT

In FY 2006, 27.0% of all fee revenue received by the Board of Educational Examiners is deposited into the General Fund. Because the Board can carry forward only 10.0% of fee revenue to the following fiscal year, General Fund deposits may exceed 27.0% of total fee revenue if the Board expends less than 90.0% of retained fee revenue.

The final result of the fee increase in FY 2006 is projected to be an increase in the Board's retained fee revenue of \$388,000 and an additional \$162,000 in deposits into the General Fund.

Total fee revenue retained by the Board in FY 2006 is projected to be \$1.3 million. Total fee revenue deposited into the General Fund in FY 2006 is projected to be \$515,000.

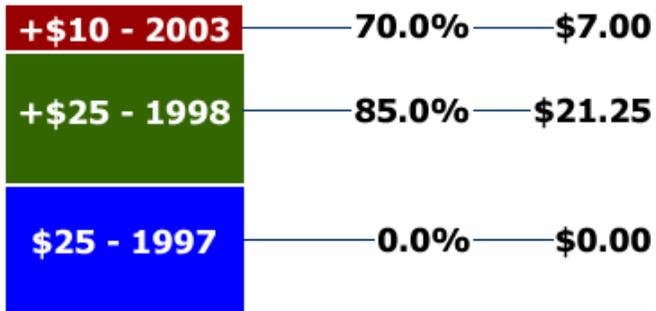
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Board of Educational Examiners

Fee Retention Illustration

FY 2005 Retention Formula

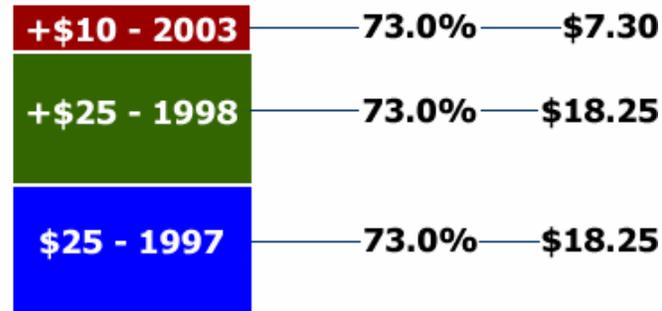
Standard License Fee = \$60



Total Retained by BOEE — 47.2% — \$28.25

**FY 2006 Retention Formula
Before Fee Increase**

Standard License Fee = \$60



Total Retained by BOEE — 73.0% — \$43.80

**Board of Educational Examiners
FY 2006 Fee Increases**

	<u>Previous Fee</u>	<u>New Fee</u>	<u>Increase</u>
Initial License	\$50	\$85	\$35
Standard License	\$60	\$85	\$25
Master Educator License	\$60	\$85	\$25
Substitute License	\$60	\$85	\$25
Provisional Occupational	\$60	\$85	\$25
Occupational Secondary	\$60	\$85	\$25
Statement of Professional Recognition	\$60	\$85	\$25
Administrator License	\$60	\$85	\$25
Evaluator License	\$60	\$85	\$25
Exchange License - Teacher	\$60	\$85	\$25
Exchange License - Guidance	\$60	\$85	\$25
Exchange License - Administrator	\$60	\$85	\$25
Class A License	\$60	\$85	\$25
Class B License	\$60	\$85	\$25
Class C License	\$60	\$85	\$25
Class D License	\$60	\$85	\$25
Class E License	\$125	\$150	\$25
Coach Authorization	\$50	\$85	\$35
Evaluation Fee	\$60	\$60	\$0
Duplicate License	\$10	\$15	\$5
Endorsement	\$50	\$50	\$0
Teacher Intern	\$100	\$125	\$25
Substitute Authorization	\$25	\$40	\$15
Paraeducator Certification	\$25	\$40	\$15
Adding Areas	\$10	\$15	\$5
Coach Extension	\$10	\$25	\$15
Behind-the-Wheel License	\$25	\$40	\$15
Fines	\$25	\$25	\$0
DCI / FBI Background Check	\$42	\$52	\$10

**Board of Educational Examiners (BOEE)
Projected Revenue and Expenditures**

	Before Fee Increase**						After Fee Increase***				
	1 Actual FY 2005*	2 Projected FY 2006	3 Projected FY 2007	4 Projected FY 2008	5 Projected FY 2009	6 Projected FY 2010	7 Projected FY 2006	8 Projected FY 2007	9 Projected FY 2008	10 Projected FY 2009	11 Projected FY 2010
Resources:											
Balance Forward	\$ 0	\$ 0	\$ 39,882	\$ 52,318	\$ 36,484	\$ 0	\$ 0	\$ 185,750	\$ 188,865	188,865	\$ 188,865
Appropriations	0	0	0	0	0	0	0	0	0	0	0
Receipts											
Salary Adjustment	0	0	0	0	0	0	0	0	0	0	0
Fees	1,282,095	1,307,900	1,307,900	1,307,900	1,307,900	1,307,900	1,857,500	1,888,650	1,888,650	1,888,650	1,888,650
Background Checks	254,944	262,038	262,038	262,038	262,038	262,038	320,718	324,428	324,428	324,428	324,428
Total Resources:	\$ 1,537,038	\$ 1,569,938	\$ 1,609,820	\$ 1,622,256	\$ 1,606,422	\$ 1,569,938	\$ 2,178,218	\$ 2,398,828	\$ 2,401,943	\$ 2,401,943	\$ 2,401,943
Expenditures:											
General Office	\$ 616,393	\$ 914,885	\$ 942,331	\$ 970,601	\$ 999,719	\$ 1,029,711	\$ 1,156,788	\$ 1,191,492	\$ 1,227,236	\$ 1,264,053	\$ 1,301,975
Background Checks	238,821	262,038	262,038	262,038	262,038	262,038	320,718	324,428	324,428	324,428	324,428
General Fund - 27.0%	676,682	353,133	353,133	353,133	353,133	353,133	501,525	509,936	509,936	509,936	509,936
Expenditure Subtotal	\$ 1,531,896	\$ 1,530,056	\$ 1,557,502	\$ 1,585,772	\$ 1,614,890	\$ 1,644,882	\$ 1,979,031	\$ 2,025,855	\$ 2,061,600	\$ 2,098,417	\$ 2,136,339
Ending Balance	\$ 5,142	\$ 39,882	\$ 52,318	\$ 36,484	\$ -8,469	\$ -74,944	\$ 199,187	\$ 372,973	\$ 340,343	\$ 303,526	\$ 265,604
Maximum Carryforward - 10.0%	\$ 0	\$ 130,790	\$ 130,790	\$ 130,790	\$ 130,790	\$ 130,790	\$ 185,750	\$ 188,865	\$ 188,865	\$ 188,865	\$ 188,865
Reversion to General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,437	\$ 184,108	\$ 151,478	\$ 114,661	\$ 76,739

* For FY 2005, the Board retained 47.2% of total fee revenue, depositing 52.8% into the General Fund.

** Assumes 3.0% increase in General Office expenditures, plus \$280,000 for transfer of 5.0 FTE positions in FY 2006, with 3.0% annual increases in FY 2007-2010.

*** Assumes \$540,000 (87.7%) increase in General Office expenditures in FY 2006, including \$280,000 for transfer of 5.0 FTE positions, with 3.0% annual increases in FY 2007-2010.